

New Legislator Orientation

December 10, 2008

JLBC

Summary of Presentation

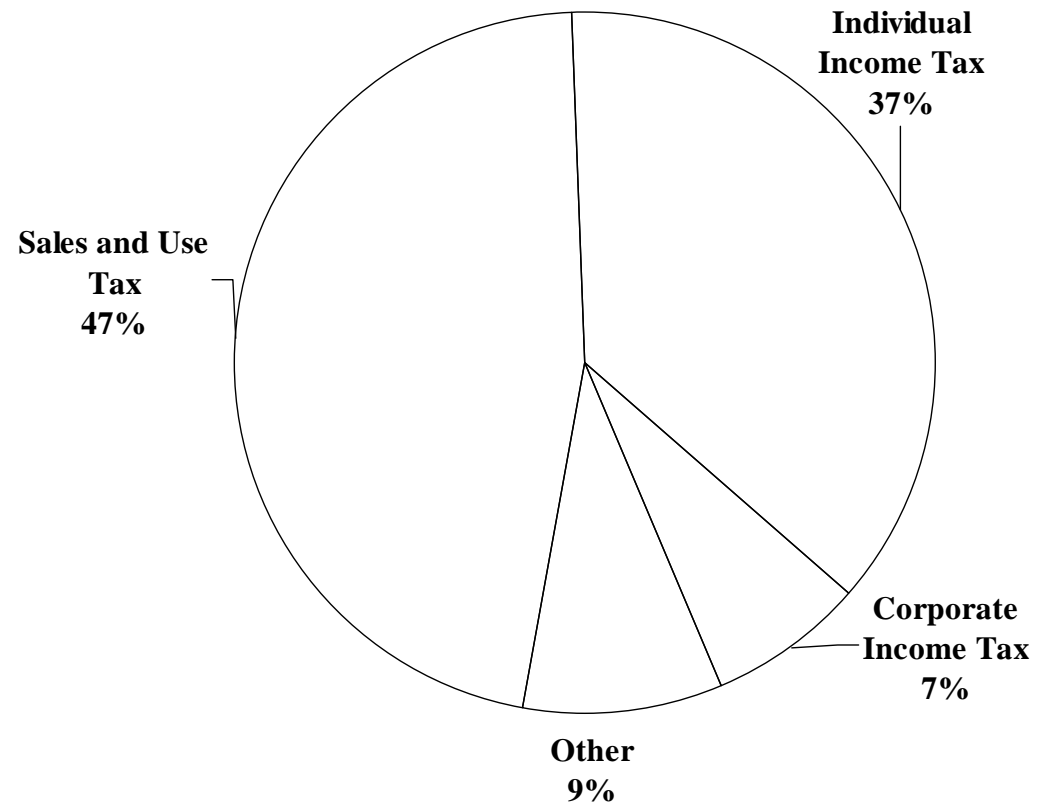
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Revenue Overview

FY '09 General Fund Revenue Forecast

91% From “Big 3” Taxes

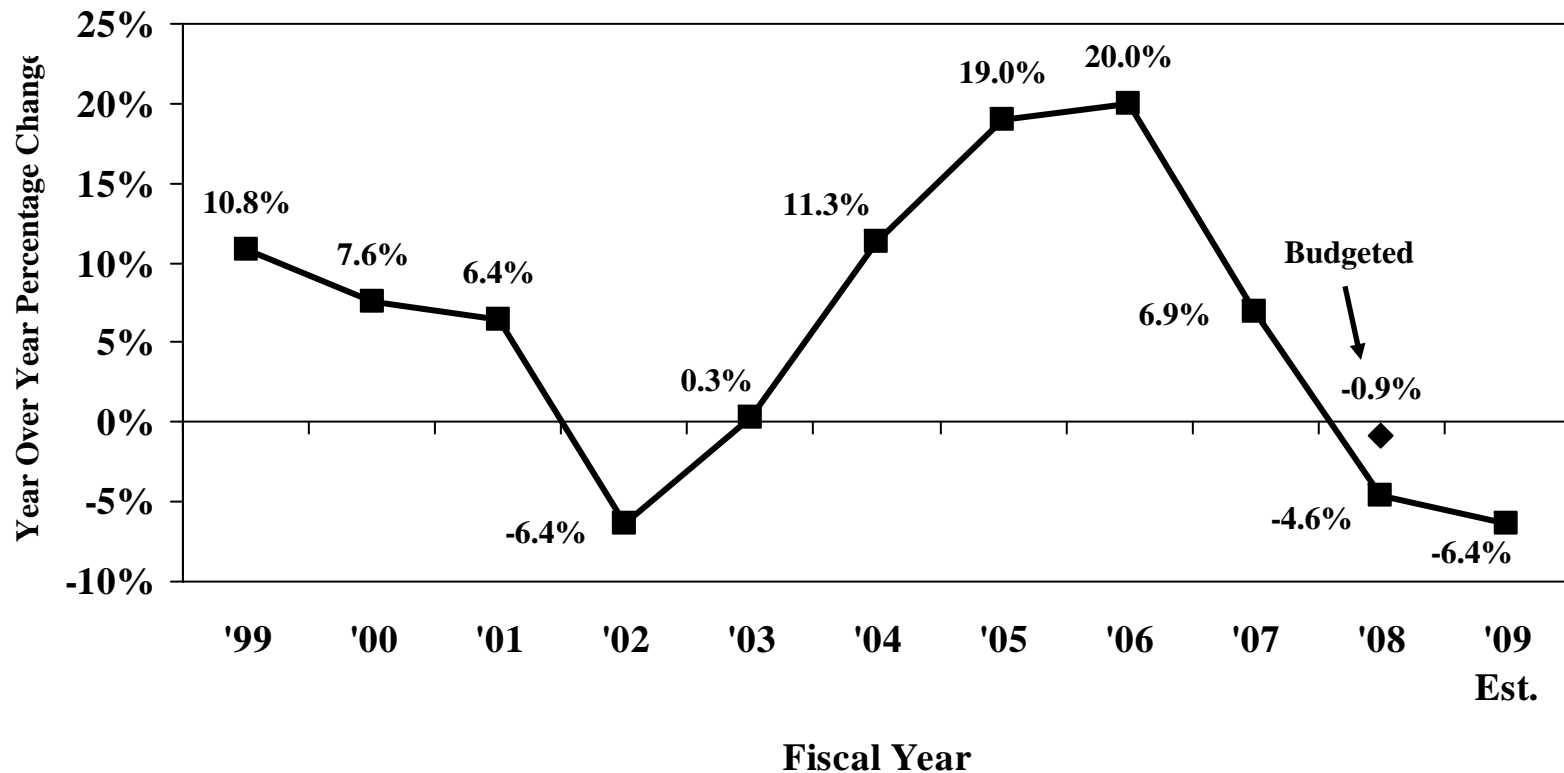
	<u>\$ in M</u>
Sales and Use Tax	\$ 4,122.8
Individual Income Tax	3,248.7
Corporate Income Tax	645.4
Other	<u>808.8</u>
TOTAL	8,825.7



Excludes Urban Revenue Sharing and one-time changes.

'08 General Fund Base Revenue Decline of (4.6)% Was Greater Than Budgeted

- Further Decline Forecasted for '10



Excludes statutory and one-time changes.

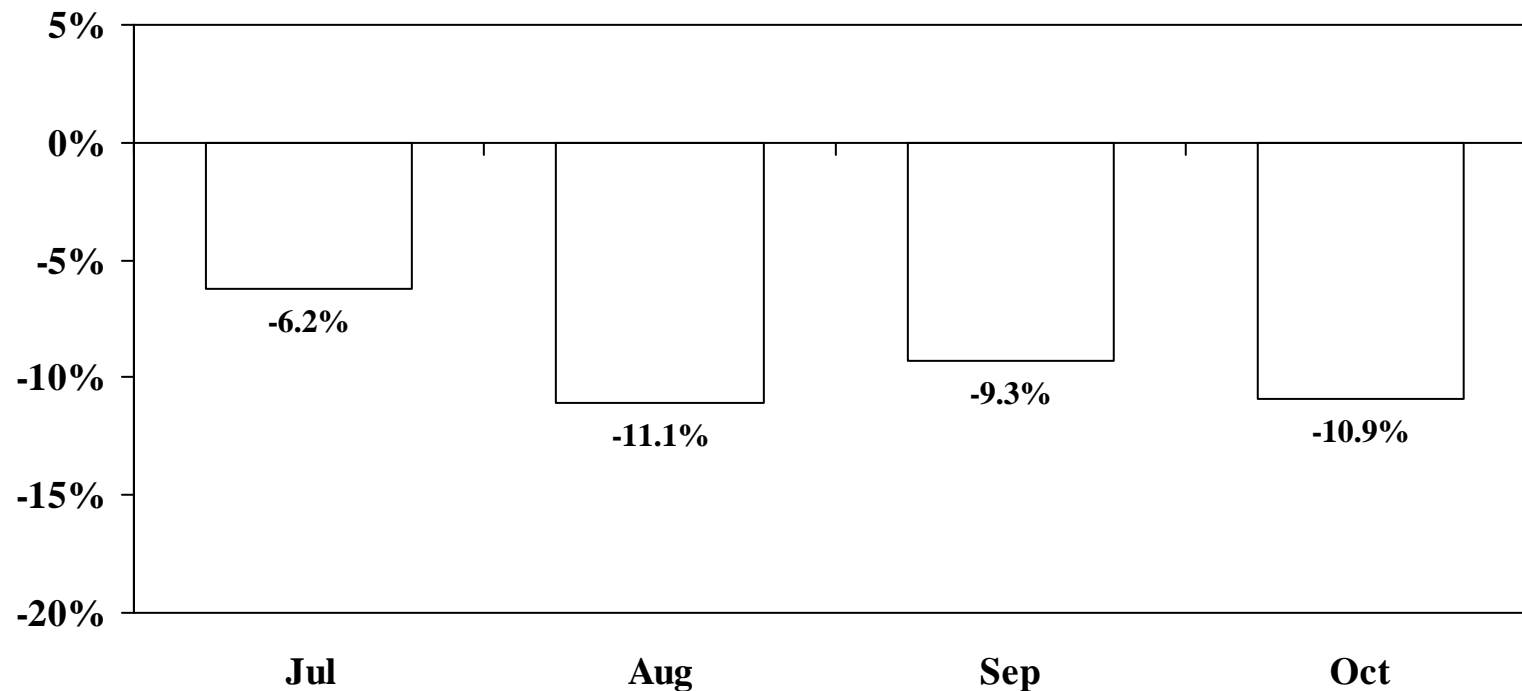
FY '09 Revenues Will Need to Grow By 6.1% to Meet \$10.0 B Budgeted Level

- Original budgeted FY '09 growth compared to enacted '08 Budget 1.9%
- Growth adjusted for lower '08 Base 6.1%

'09 Revenue Collections Continuing to Decline

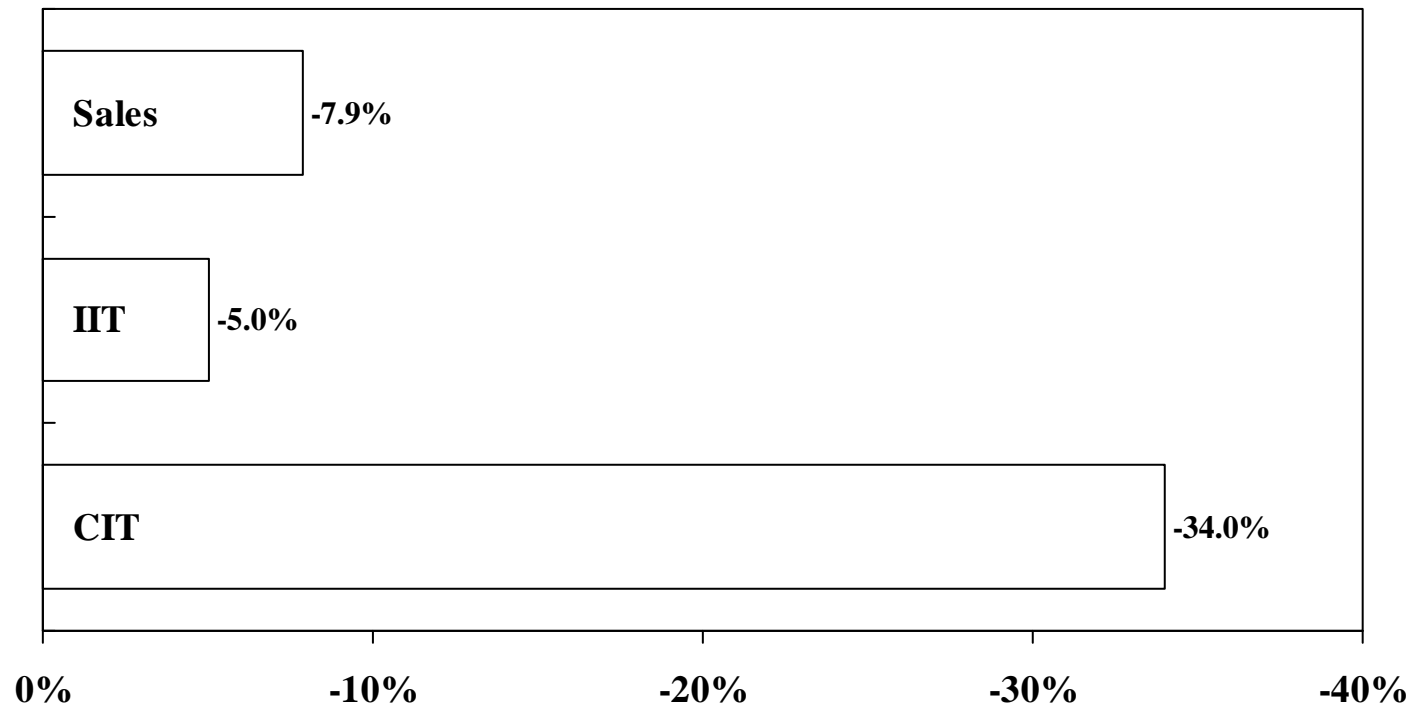
- First Trimester Decline = (9.4)%

- YTD Shortfall is \$(442) M



Percent Change Below FY 2008

All Major Tax Categories Declined in 1st Trimester of FY '09



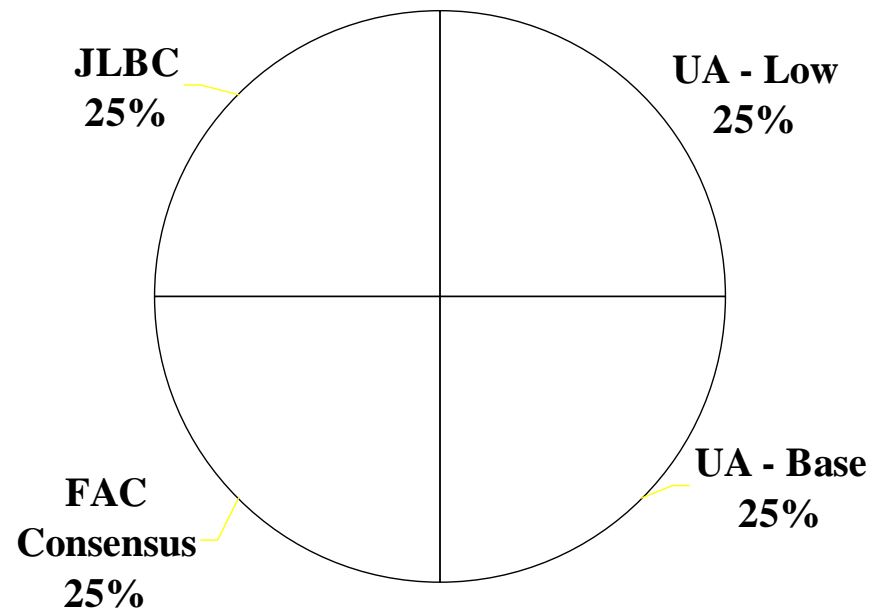
Excludes statutory and one-time changes.

How Does JLBC Forecast Revenues?

- - A Consensus Process with 4 Inputs

**Sales and income tax forecast
equally weights:**

- **FAC average ***
- **UofA model - base**
- **UofA model - low**
- **JLBC Staff forecast**
- **Remaining revenues (9% of
total) are staff forecast**



* The Finance Advisory Committee is a 15-member panel of public and private sector economists that publicly meets 3 times a year to advise the Legislature on the state of the Arizona economy.

Any Revenue Forecast Will Have Significant Constraints In Predicting the Next 18 Months

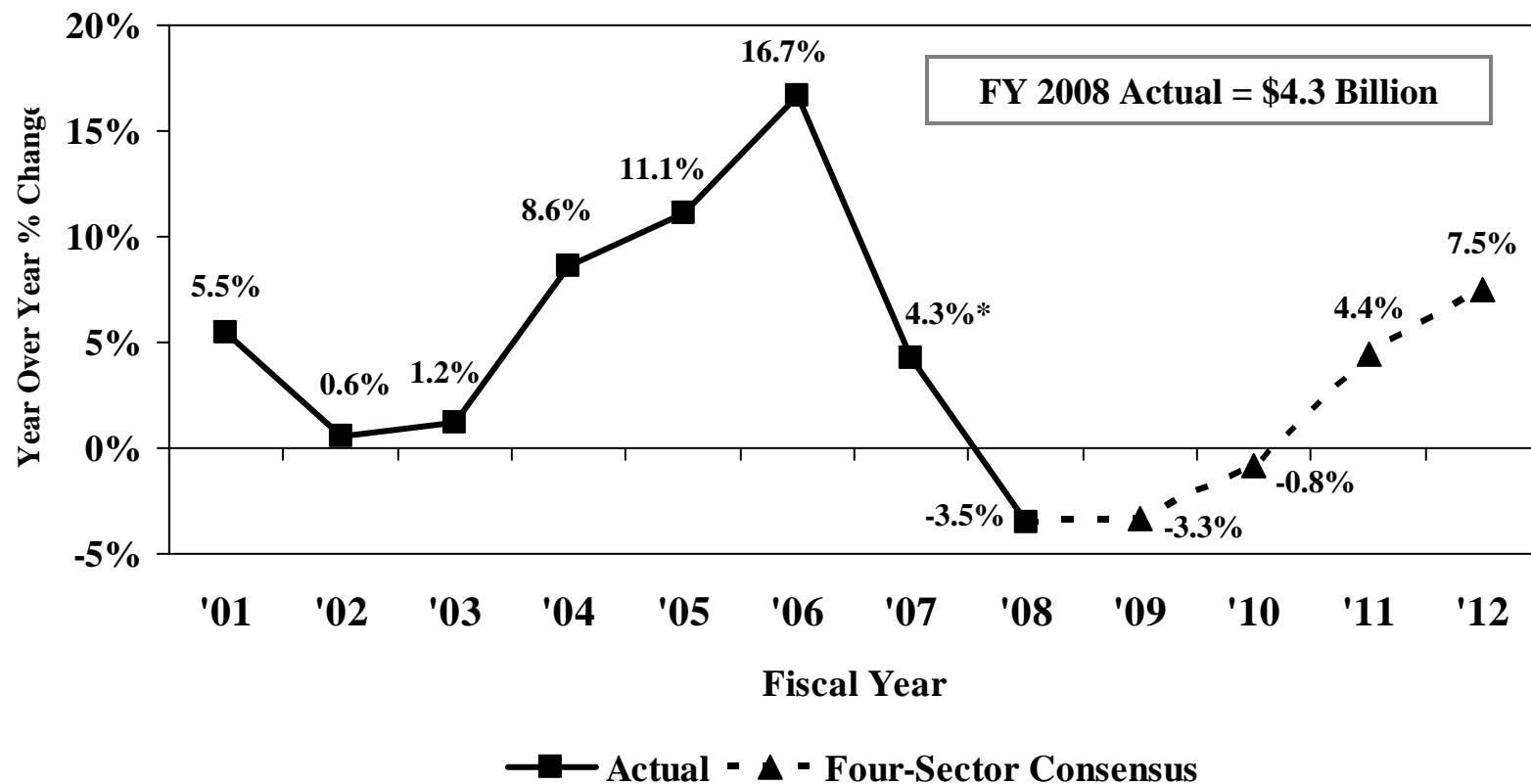
- Current economic instability makes forecasting especially difficult.
- The impact of Federal stimulus is difficult to gauge.
- Current forecasts are most useful in determining the direction of the economy, not its precise landing point.
- Certain structural factors limit potential for rapid growth.

Housing Oversupply Will Exist For Several Years

- There are roughly 50,000 surplus housing units in Metro Phoenix.
- Market has begun to correct itself – building permits have slowed significantly.
- Current demand may only absorb 10,000 – 15,000 units a year.
- Once supply and demand normalize, it will take 12 – 18 months for permits to progress to completed buildings.
- Commercial permits have also slowed, with substantially fewer expected to be issued in FY '10.

Sales Tax

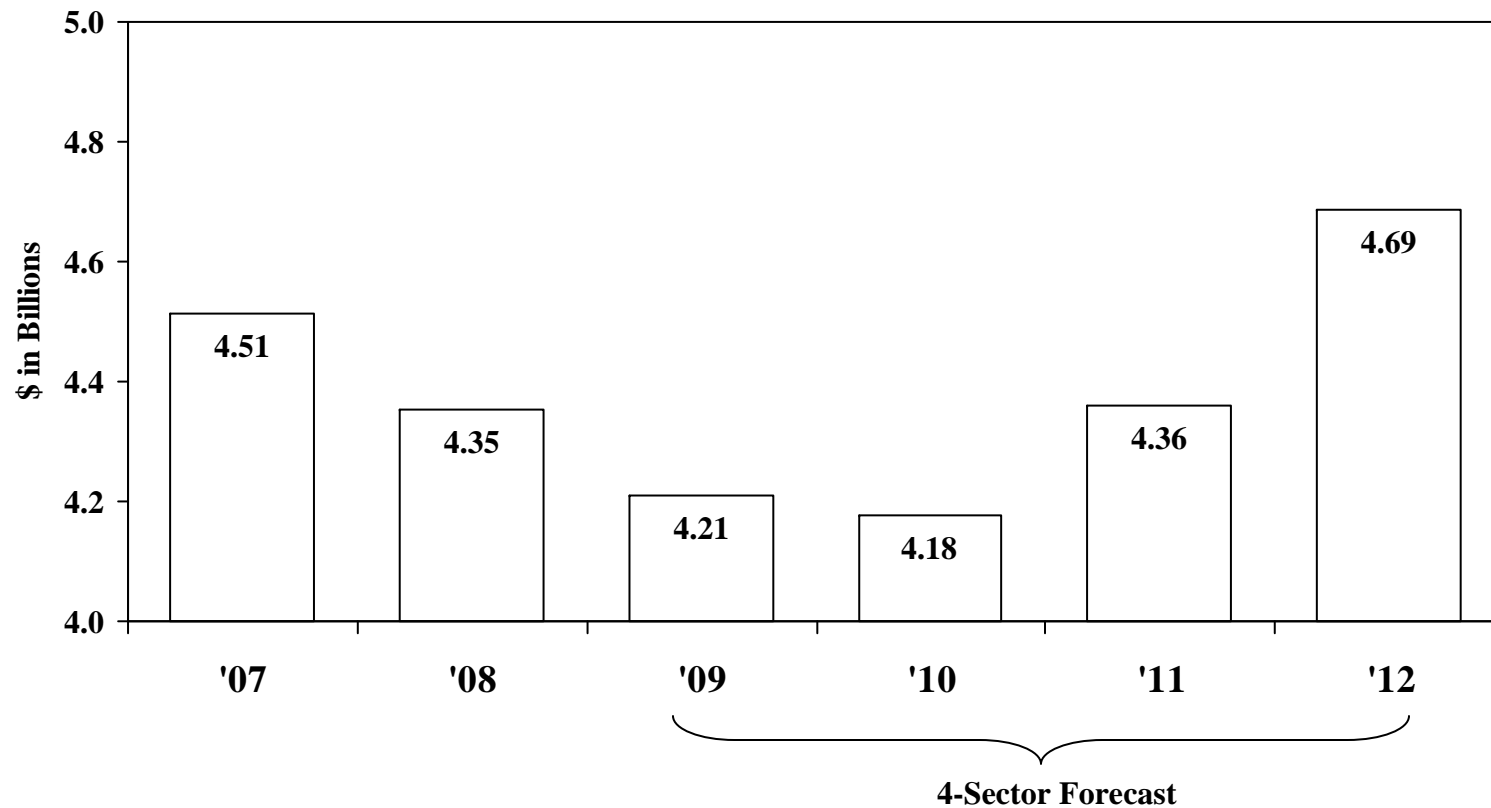
**- The Consensus Forecasts Declines of (3.3)% in '09
and Another (0.8)% in '10**



* 5.6% without the \$(55.2) million estimated payment threshold change.

Sales Tax

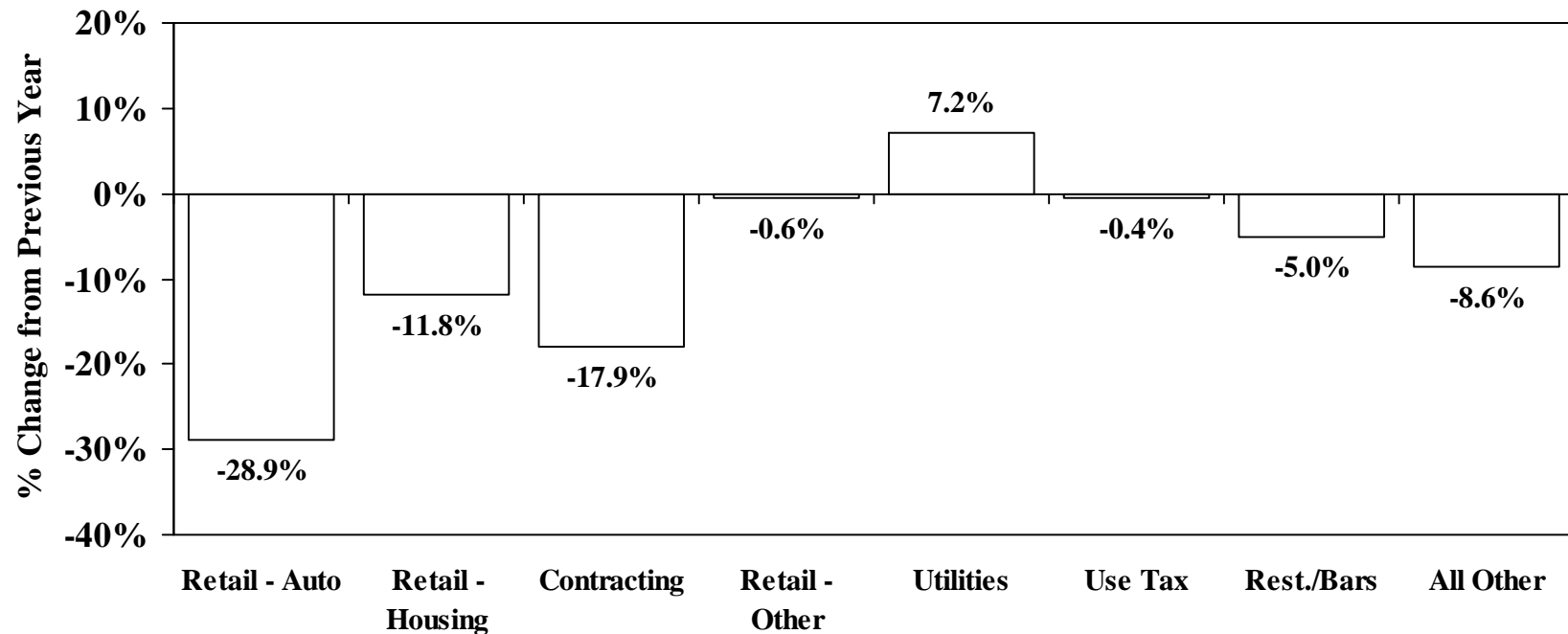
- Collections Below FY '07 Level Until FY '12



Includes enacted tax law changes.

Construction and Vehicle Spending Have Declined Significantly

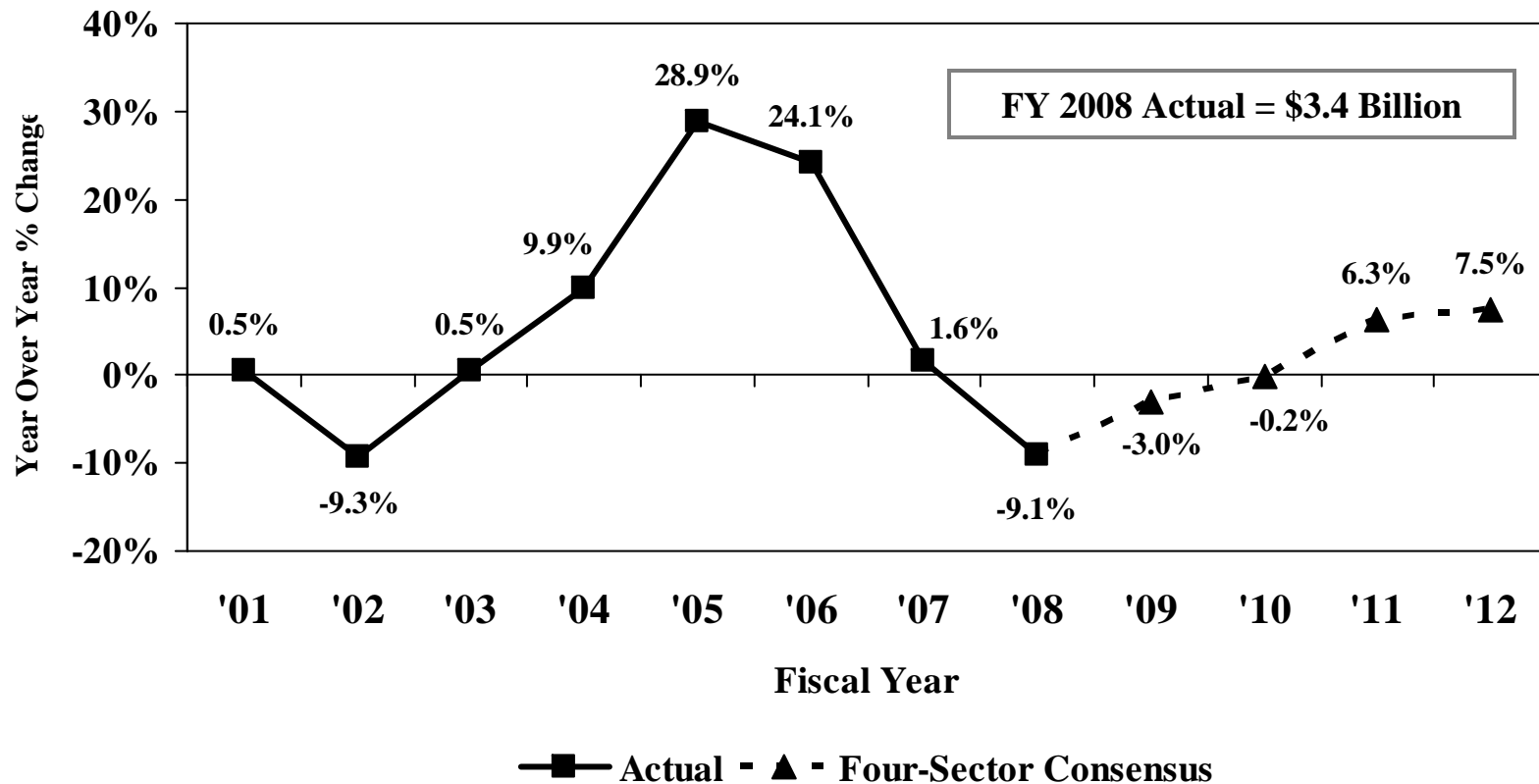
- - Components of Sales Tax Collections



FY 2009 Year to Date – (Through October)

Individual Income Tax

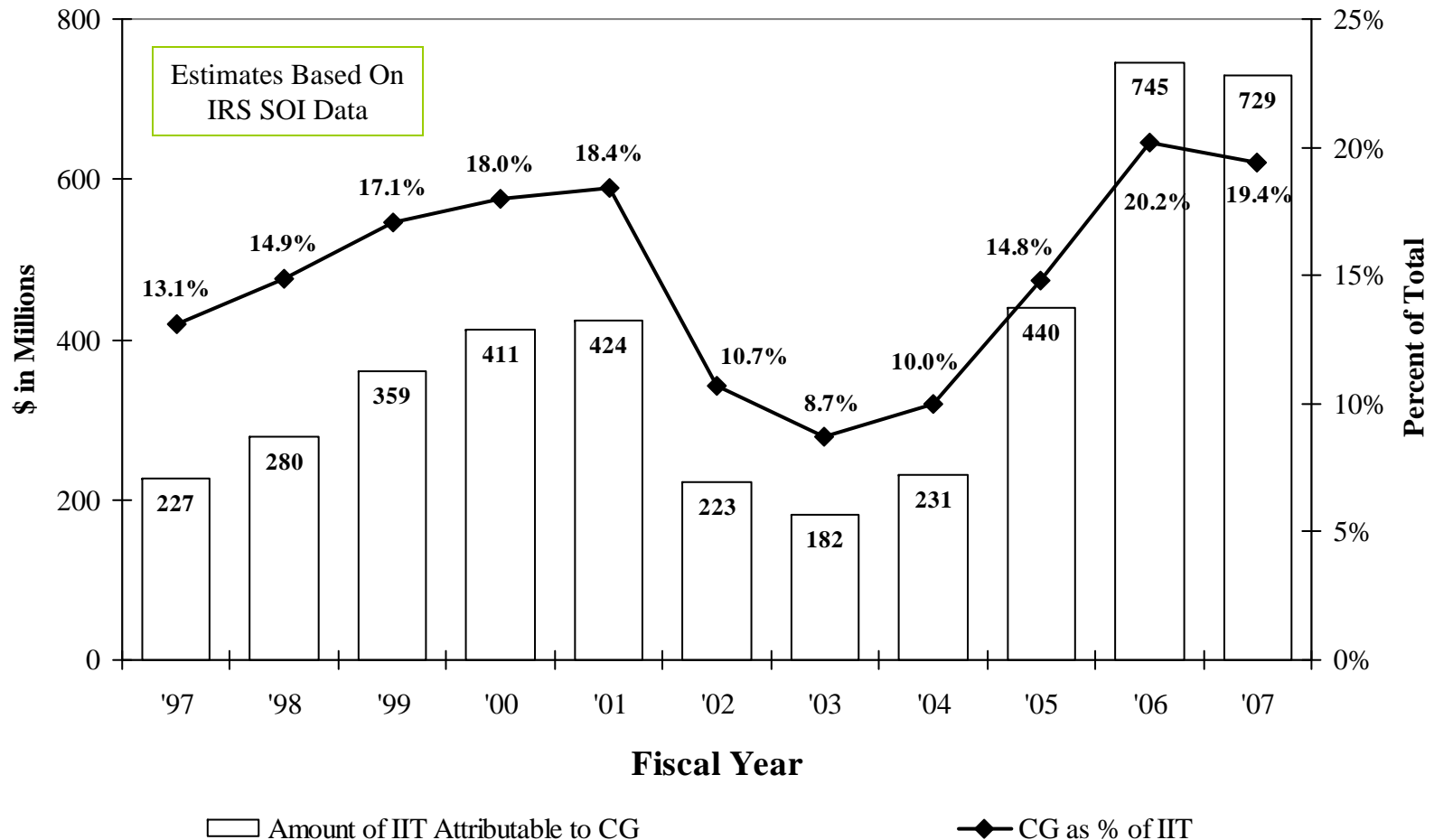
- The Consensus Forecasts On-Going Declines Through '10
- Collections Return to '07 Level in '12



* Excluding the 10% phased-in rate reduction, growth would have been 6.3% in '07, and (4.1)% in '08.

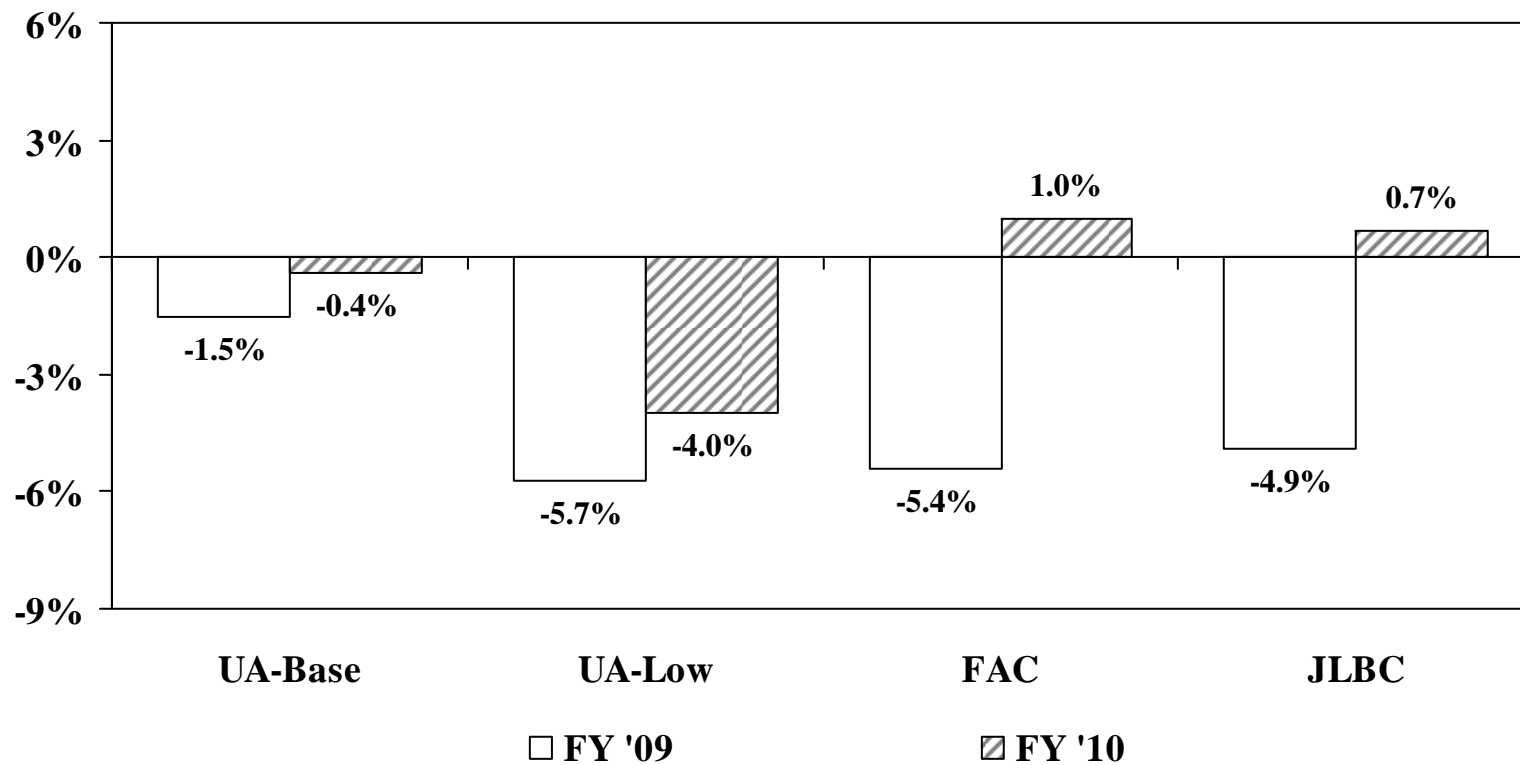
Individual Income Tax

Capital Gains Are A Volatile Source of Income Tax Collections



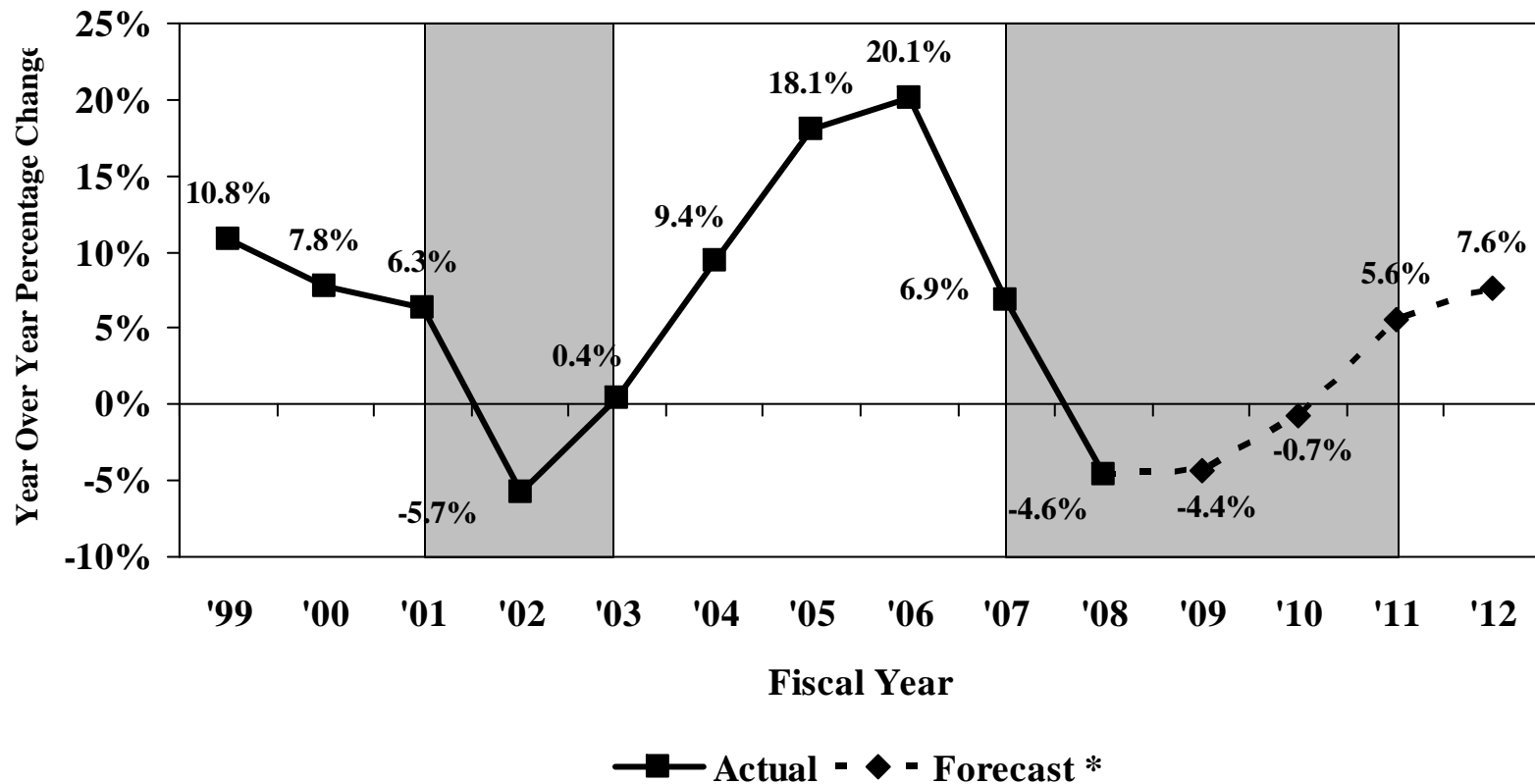
October 4-Sector General Fund Revenue Forecast

- Decline of (4.4)% in FY '09 and (0.7)% in FY '10



Weighted Big 3 Average
Prior to Tax Law Changes

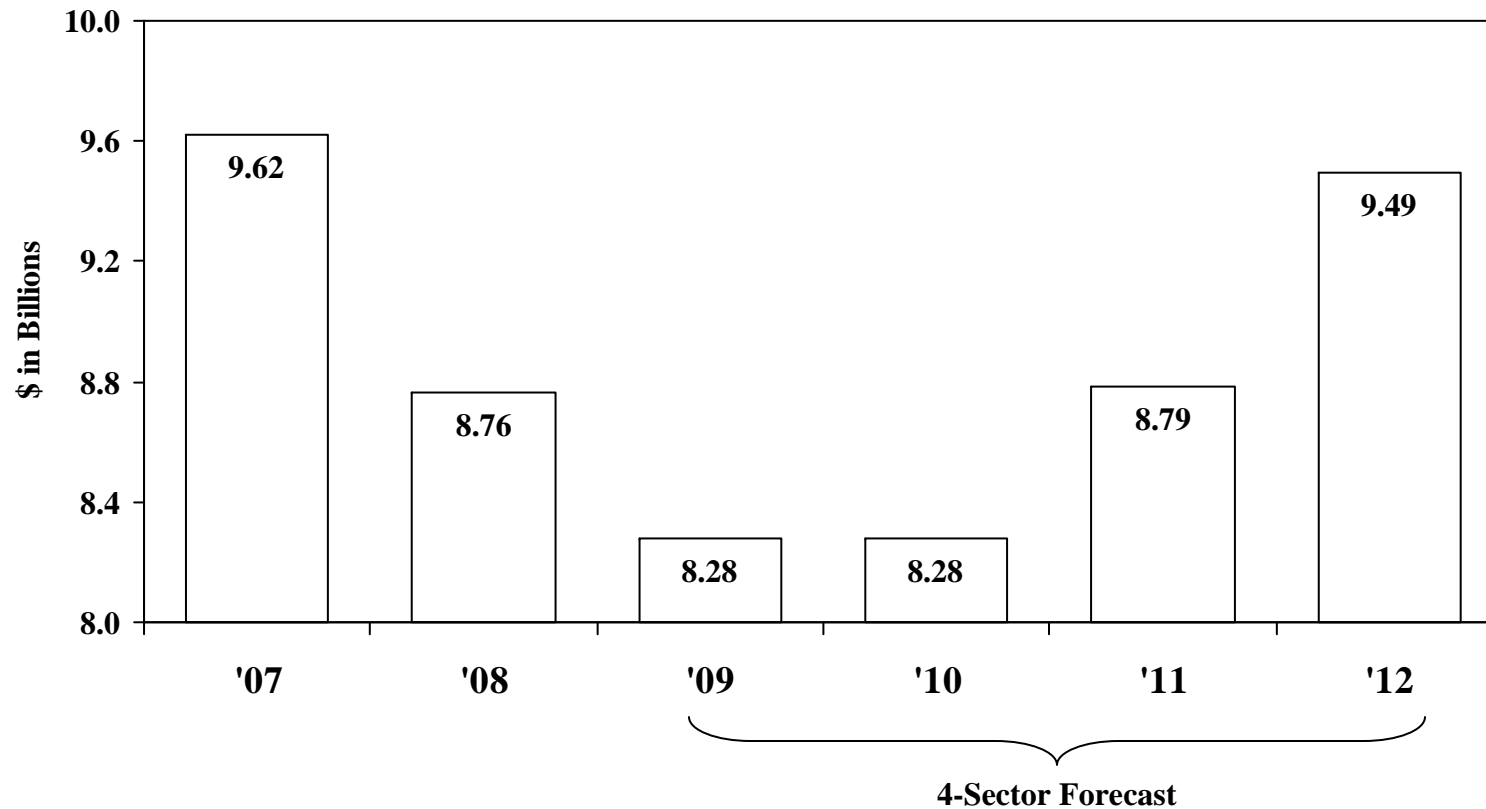
4-Sector Consensus Forecasts Revenue Declines Through FY 2010



* 4-sector forecast weighted average growth.

On-Going General Fund Revenue

- Collections Below FY '07 Level Until After FY '12

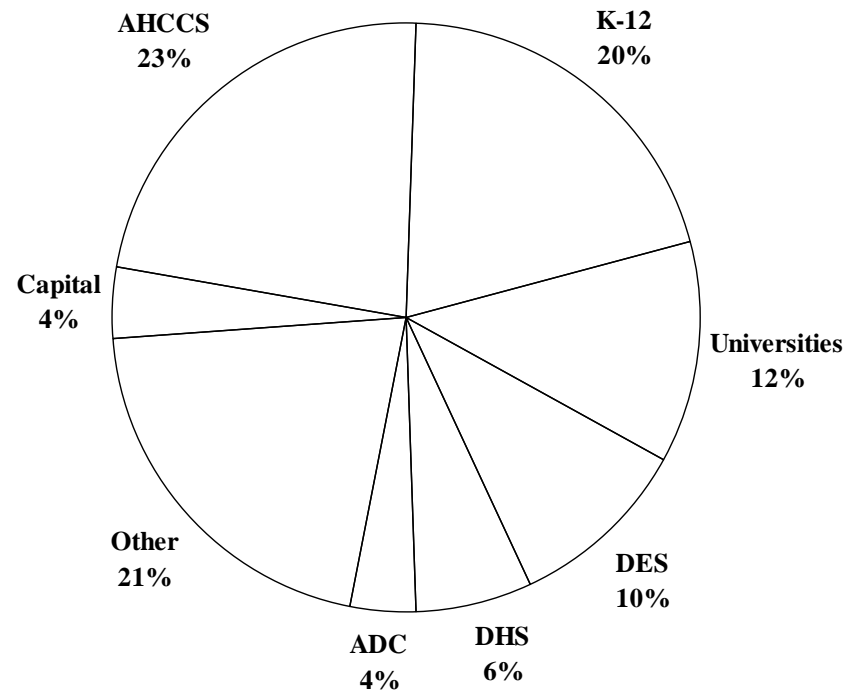


**Includes Urban Revenue Sharing and enacted tax law changes
- excludes balance forward and other one-time revenues.**

Spending Overview

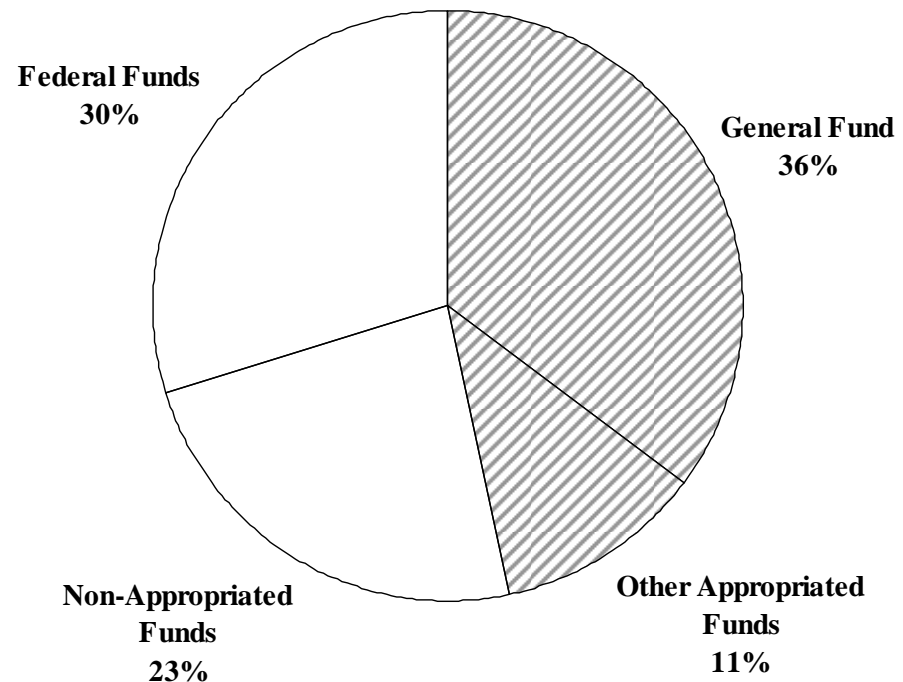
The State's Total Funds Budget Exceeds \$28 Billion

	<u>\$ in M</u>
AHCCCS	\$ 6,402.2
K-12 Education (ADE)	5,738.1
Universities	3,484.8
Economic Security (DES)	2,770.1
Health Services (DHS)	1,796.0
Corrections (ADC)	1,076.2
Other Agencies	5,821.1
Capital	<u>1,126.0</u>
TOTAL	<u>\$ 28,214.5</u>



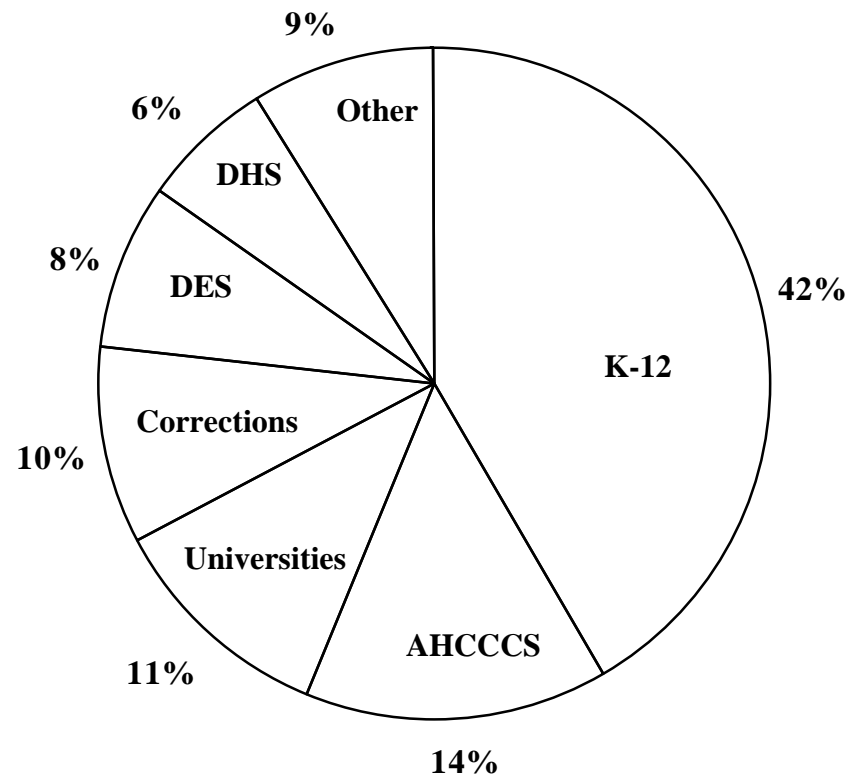
Legislature Appropriates 47% of Total Funds Budget

<u>Fund Source</u>	<u>\$ in M</u>
General Fund - Appropriated	\$ 9,975.6
Other Appropriated Funds	3,201.6
Non-Appropriated Funds	6,617.4
Federal Funds	<u>8,419.9</u>
TOTAL	<u>\$ 28,214.5</u>



6 Largest State Agencies Account for 91% of State Spending

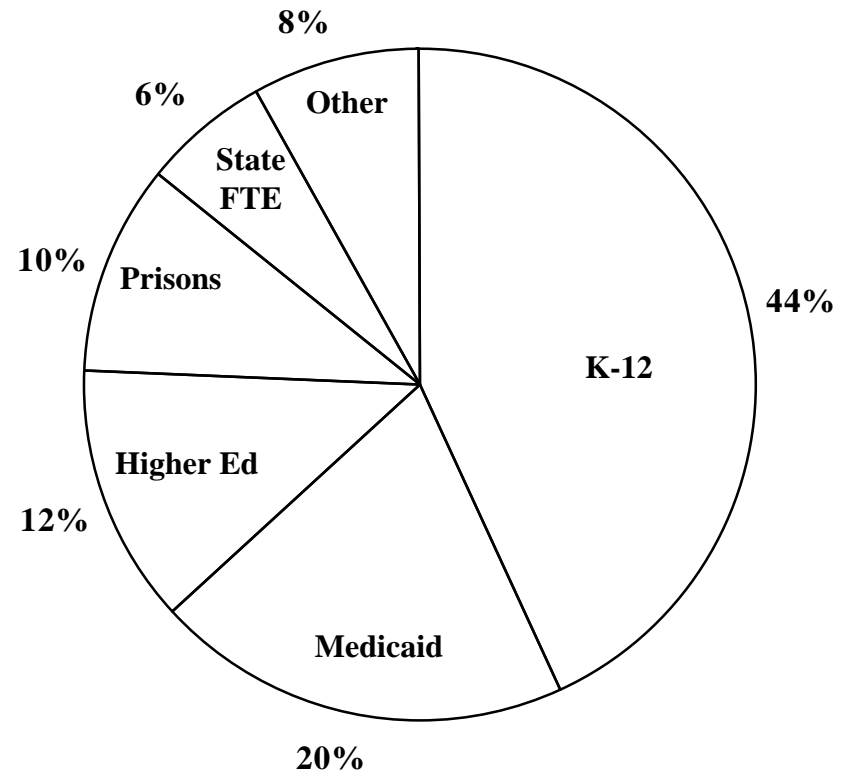
	<u>\$ in M</u>
K-12	\$ 4,141
AHCCCS	1,425
Universities	1,080
Corrections	948
DES	808
DHS	612
Other	<u>892</u>
Total	\$ 9,906



FY 2009 General Fund Budget

5 Major Activities Account for 92% of State Spending

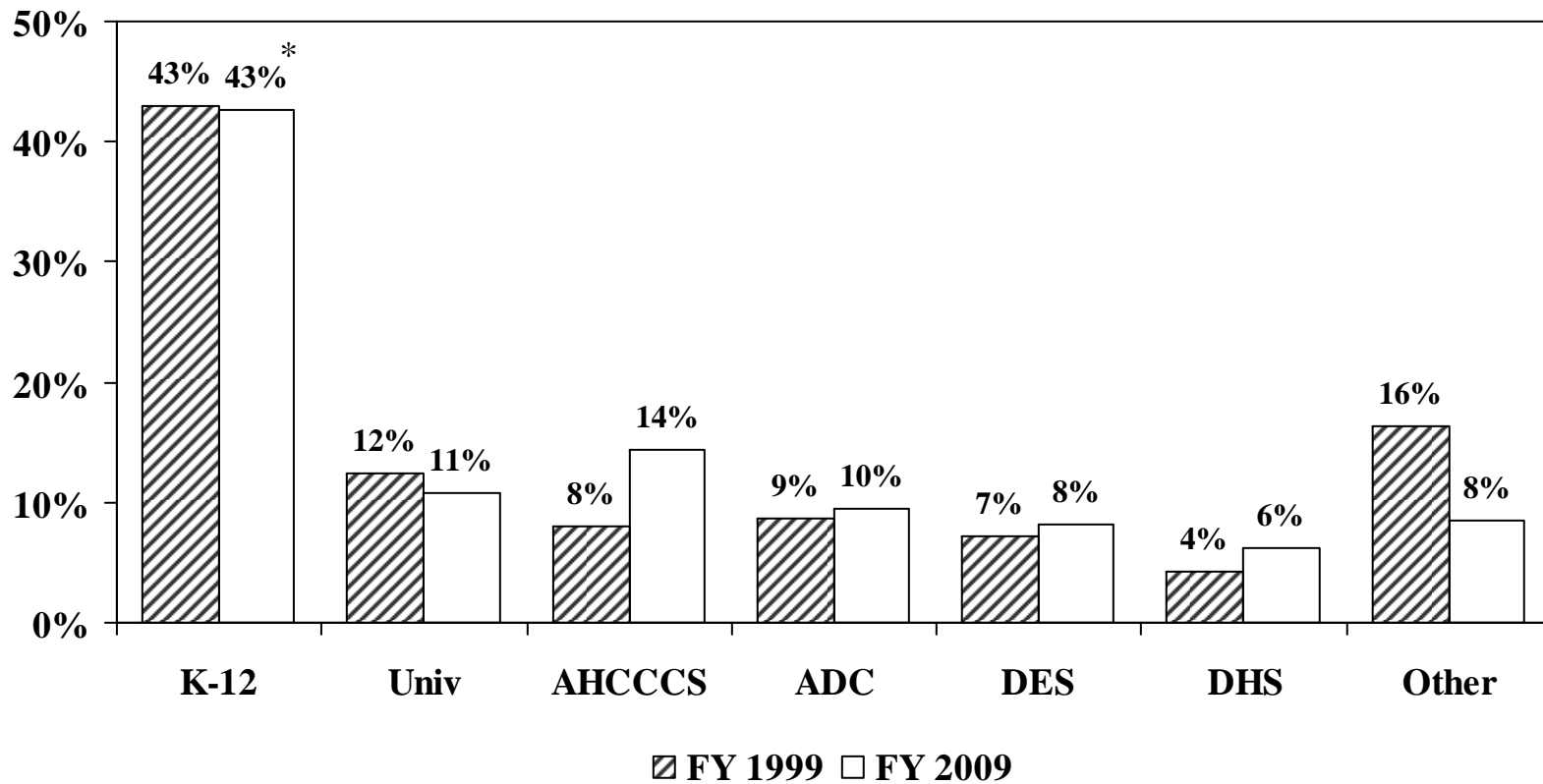
	<u>\$ in M</u>
K-12	\$ 4,253
Medicaid	2002
Higher Ed	1,228
Prisons	1,022
State Workers	604
Other	<u>797</u>
Total	\$ 9,906



FY 2009 General Fund Budget

Agency Share of General Fund Over the Last Decade

- AHCCCS Share 6% Larger



* FY '09 includes School Facilities Board spending.

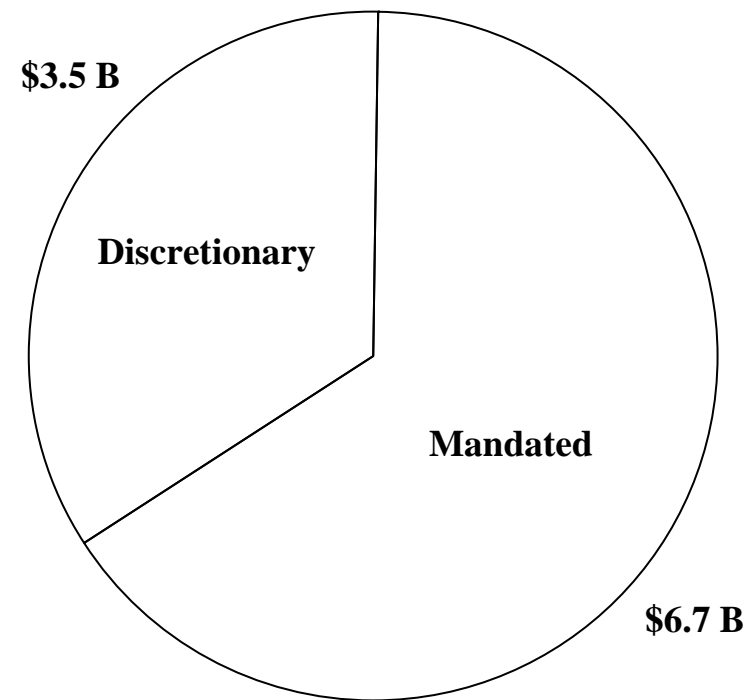
What Are Funding Formulas?

- The Funding Levels of State's Largest Programs Are Determined by A Statutory Formula

- K-12 Operating – school districts receive a minimum funding level per student adjusted annually for inflation.
- K-12 Capital – state funds new school construction based on a square foot formula adjusted annually for inflation.
- AHCCCS/DHS – every low-income household is eligible for health care coverage.

What's the Difference Between Voter Protected and Mandated Spending?

- Mandated spending is based on statutory formulas.
- Legislature can revise certain mandates.
- Voter-protected spending is a subset of mandates.



**\$10.2 B GF Budget
Rollover-Adjusted**

What Spending is Voter Protected?

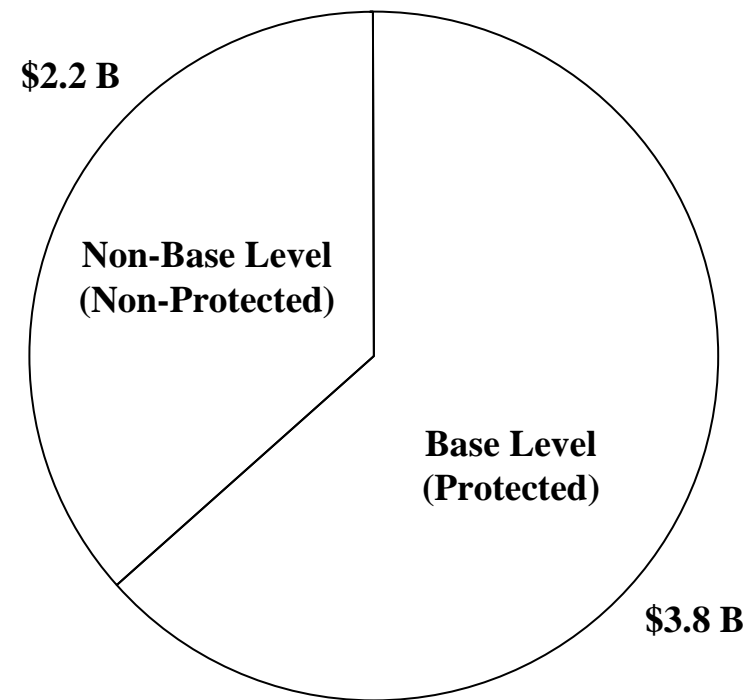
- Prop 105 only permits legislative changes to propositions with a 75% vote to “further the purpose”.
- Prop 301 Education and Prop 204 AHCCCS have greatest impact on state budget.
- This “voter protection” limits, but does not eliminate, our ability to modify ADE and AHCCCS.
- There has been no litigation to clarify the scope of Prop 105.

How Does Prop 105 Affect K-12 Spending?

- Prop 301 guaranteed 2002 “base level” and inflation.
- Inflation is applied to base level and transportation – the “and/or” debate.
- Prop 301 does not apply to:
 - Formula weights.
 - Capital outlay revenue limit.
 - Soft capital.
 - Charter’s additional assistance.

At Least \$2.2 B of K-12 Spending is Not Subject to Prop 105

- State and local K-12 budget = \$6 B.
- As funding expands or contracts, marginal impact is on the state.
- Non-base level spending is \$2.2 B.



State and Local K-12 \$
State = \$4.4 B Local = \$1.6 B

How Does Prop 204 Affect Health Care Spending?

- Prop 204 guarantees indigent health care coverage below 100% of the federal poverty line (FPL). The Federal Government pays 66% of the cost.
- AHCCCS services below 100% of FPL cost \$990 M of \$1.4 B budget.
- DHS behavioral health services cost \$380 M.
- Prop 204 does not protect the benefit package nor health plan rates.
- Non-100% FPL cost includes Kid's Care, special hospital payments, optional services and administration.

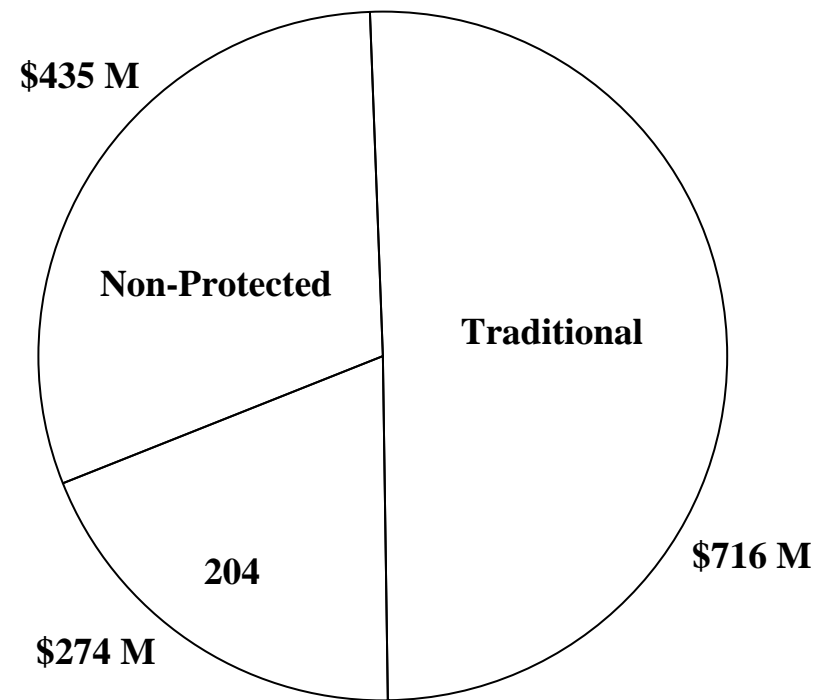
Can We Modify the Benefit Package or the Plan Rates?

- Feds require certain services and “actuarially sound” rates that maintain access to care.
- \$277 M in optional services below 100% FPL
 - \$237 M are long term care services and drugs.
- Executive’s ’09 proposal froze hospital rates – can we extend to all rates?
- Can also increase recipient cost of share to 5% – but feds limit.

AHCCCS Non-Protected Share is at Least \$435 M

- Feds May Permit Limited Adjustments to Rates

- Protected population cost \$990 M in AHCCCS (+\$380 M in DHS)
- Non-protected includes \$237 M in drugs/ALTCS costs.
- California injunction against 10% rate cut.



AHCCCS

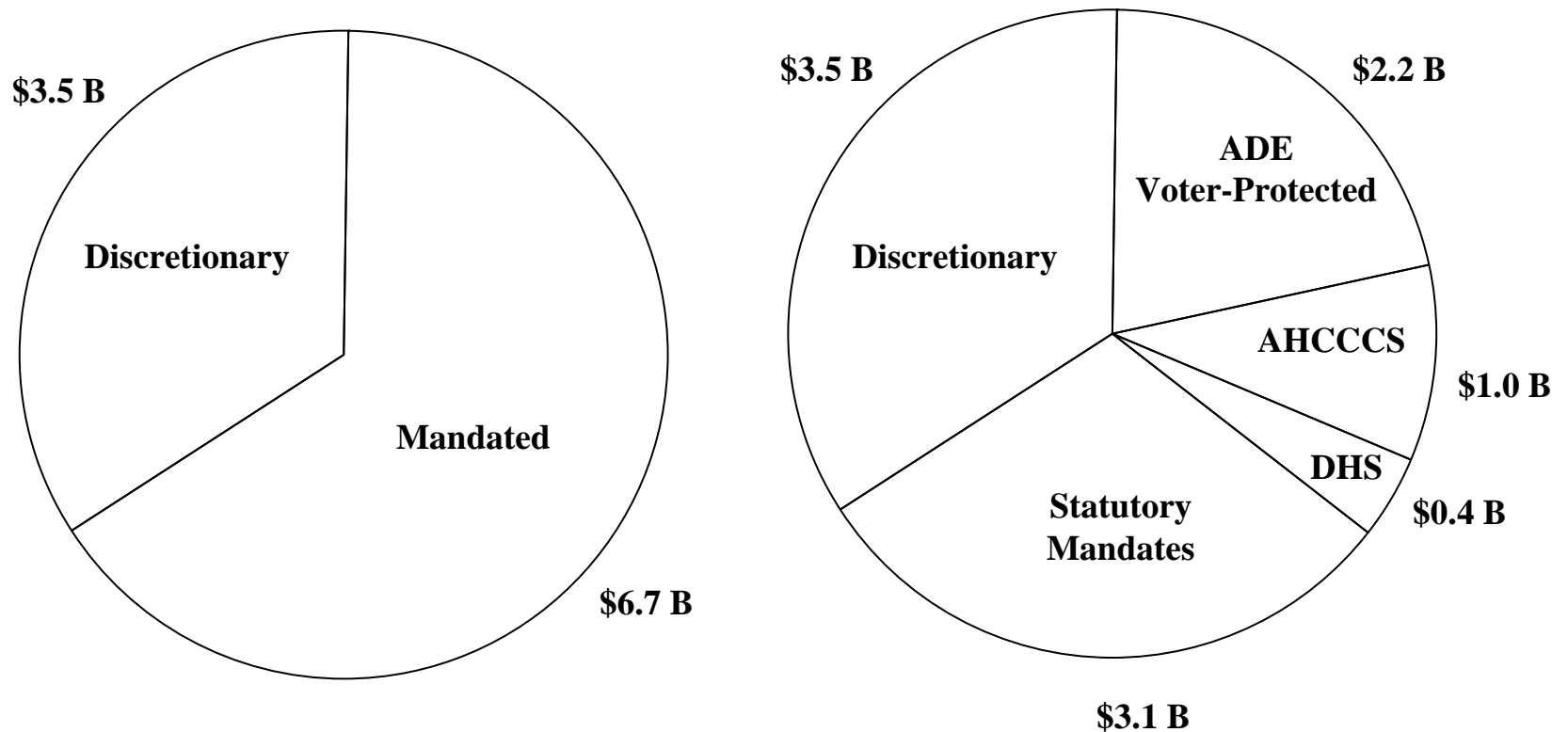
\$1.425 B GF '09 Total

Summarizing the General Fund Impact of Voter Protection

- K-12: At least \$2.2 B of \$4.4 B General Fund budget is not protected.
- AHCCCS: \$435 M of \$1.4 B is not protected
 - Limited ability to reduce remaining \$1 B.
- Parks Board: \$20 M Growing Smarter payments
 - Ends in FY 2011.
- Clean Election Tax Credits: \$7 M
 - Offset by periodic reversions.

What Is Voter Protected Share of GF Spending?

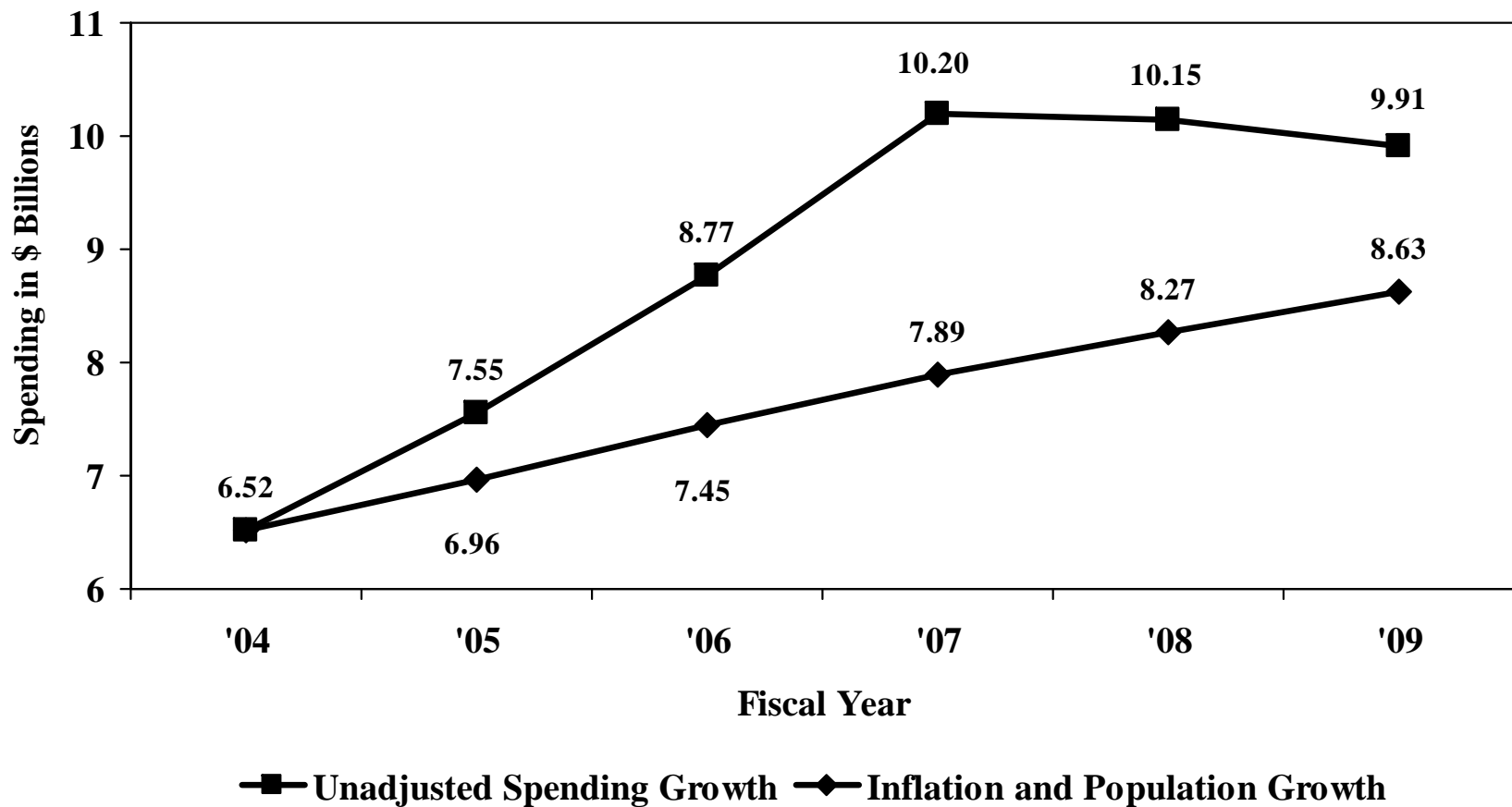
- No Definitive Answer, But Near \$3.6 B



**\$10.2 B GF Budget
Rollover-Adjusted**

How Much Has Spending Grown Over the Last 5 Years?

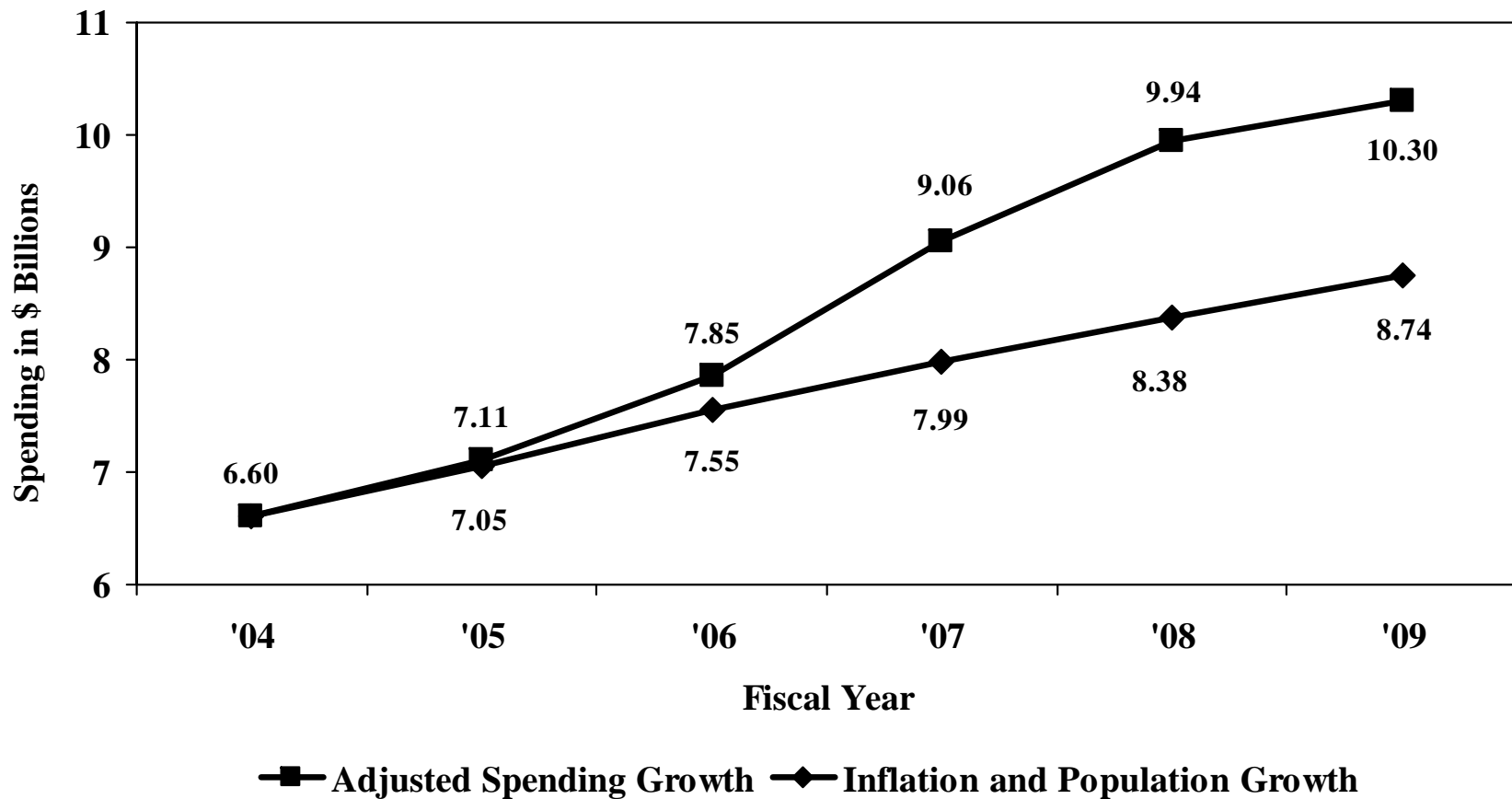
Bottom Line General Fund Spending Has Grown 8.7% Annually - - Population/Inflation Has Annually Increased 5.8%



‘Bottom Line’ Does Not Always Accurately Reflect On-going Spending Pattern

- One time spending inflates growth in good years
- One time savings mask growth in bad years.
- Movement on and off SFB cash financing distorts pattern

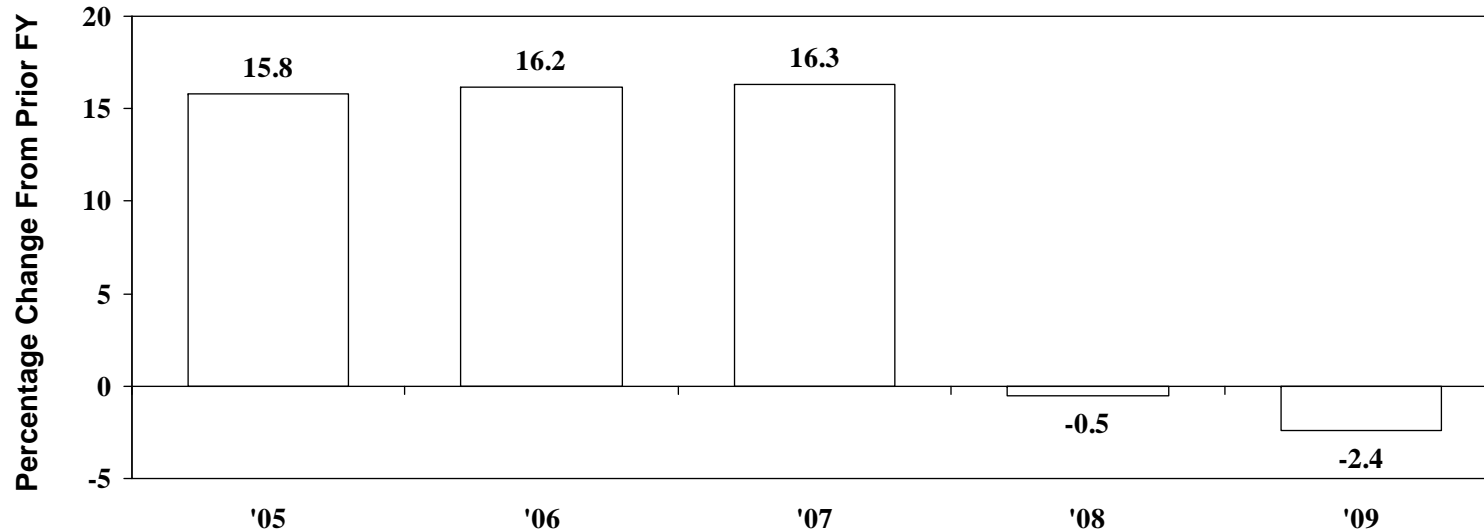
After Removing SFB and One-Times, 5 Year Annual Spending Growth is 9.3%



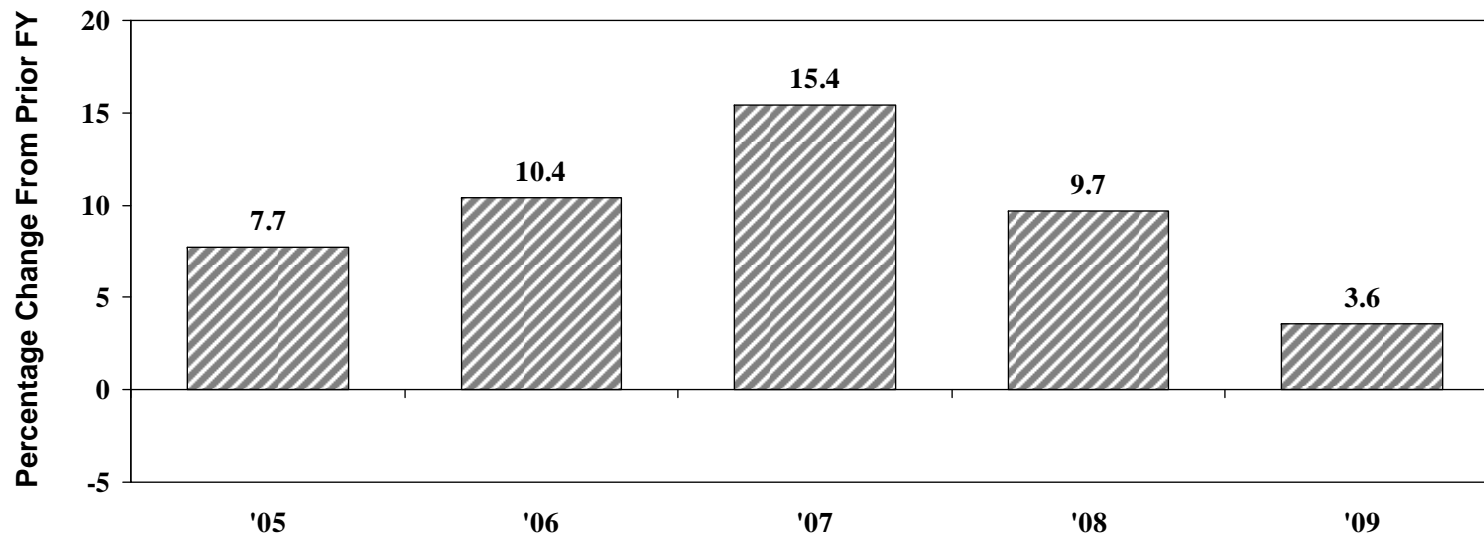
Spending Has Been Adjusted to Remove One-time
Adjustments and School Facilities Board Spending

Spending Growth Over The Last 5 Years

Unadjusted – Annual Average of 8.7%



Adjusted – Excludes One Times and SFB – Annual Average of 9.3%



What Is the Current Status of the Budget?

What Is the General Fund Shortfall?

- \$1.2 Billion in FY '09, based on updated forecast.
- \$2.2 Billion to \$3.0 Billion in FY '10, depending on '09 resolution and other factors.

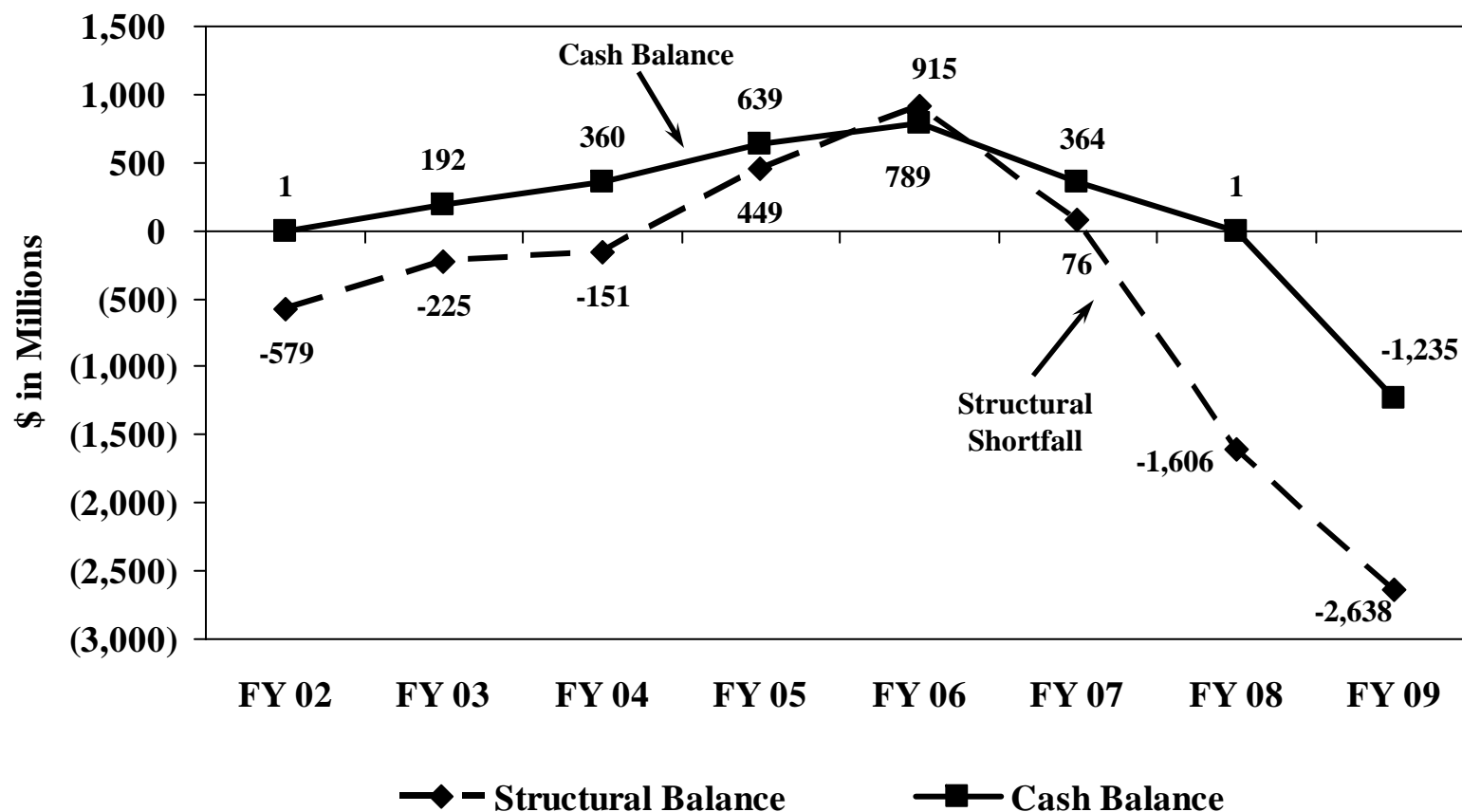
'09 Revenue and Expenditure Comparison

(\$ in Billions)

<u>Revenues</u>	<u>\$ in B</u>
On-going	\$ 8.1
One-time	<u>0.7</u>
Total	8.8
<u>Spending</u>	
On-going	10.7
One-time	<u>(0.7)</u>
Total	10.0
 Balance	 \$(1.2)

While the State Is Required to Have A Balanced “Cash” Budget, Financial Health Can Also be Measured by the Structural Balance

- Structural Balance Represents Difference Between
Permanent Revenues and Permanent Expenditures



What Are the Possible Solutions?

- Revenue
- Spending
- Fund Transfers
- Borrowing
- Accounting

What Do 10% General Fund Spending Options Generate

\$ in M

- **Lump sum – Tier 1** \$223
 - Non-statutory and non-protected base
- **Lump sum – Tier 2** 418
 - Applied to funds exempted in Tier 1, unless voter protected
- **Furlough/Pay Cut** 126
 - All positions except prisons, DPS, ASH, ASDB, DD Homes
 - Represents 1 day per 2 weeks

Other Possible Options

\$ in M

- **Fund Transfers**

- 50% of all balances

\$365

- **Borrowing**

- Either Lottery or Tobacco Settlement

400

- **Accounting**

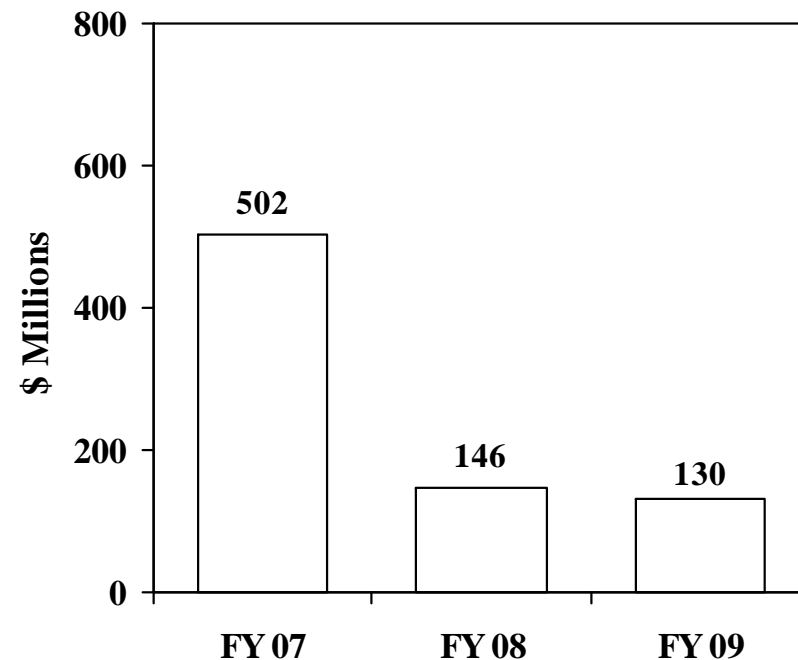
- Rollovers
- One-time Federal bailout

?

Budget Stabilization Fund Has A Balance of \$130 M

- Total of \$560 M in budget transfers made to GF to offset FY '08 shortfall.
- \$20 M budgeted transfer made in FY '09.

BSF Balance



Budget Process

The State Budget Is Usually A Mix of One and Two-Year Budgets

- State budget covers July 1st of one year to June 30th of the next year.
- Every year, the Legislature adopts a one-year budget for 15-25 of the largest state agencies.
- In odd-numbered years, the Legislature adopts a two-year budget for all other agencies.
- Given the current budget shortfall, only a 1-year budget will be considered.

What Information Will Be Available on the Upcoming Budget?

- The Governor will release a budget proposal shortly after the regular session convenes.
- The JLBC will release an estimate of baseline spending under existing statutory formulas and technical adjustments.

JLBC Baseline Provides Line Item Detail on Individual Agencies

State Mine Inspector

JLBC: Art Smith
OSPB: Melissa Harto

DESCRIPTION	FY 2007 ACTUAL	FY 2008 ESTIMATE	FY 2009 JLBC
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	17.0	17.0	17.0
Personal Services	441,000	894,700	894,700
Employee Related Expenditures	206,100	315,200	314,100
Professional and Outside Services	52,100	106,000	106,000
Travel - In State	109,100	170,000	170,000
Travel - Out of State	3,300	10,000	10,000
Other Operating Expenditures	263,400	257,900	205,000
Equipment	31,700	131,000	3,000
OPERATING SUBTOTAL	1,106,700	1,884,800	1,702,800
SPECIAL LINE ITEMS			
Abandoned Mines Safety Fund Deposit	0	0	182,000
Aggregate Mined Land Reclamation	262,000	--	--
AGENCY TOTAL	1,368,700	1,884,800	1,884,800

FUND SOURCES

General Fund	1,106,700	1,884,800	1,884,800
<u>Other Appropriated Funds</u>			
Aggregate Mining Reclamation Fund	262,000	0	0
SUBTOTAL - Other Appropriated Funds	262,000	0	0
SUBTOTAL - Appropriated Funds	1,368,700	1,884,800	1,884,800
Other Non-Appropriated Funds	0	104,800	0
Federal Funds	267,400	277,400	277,400
TOTAL - ALL SOURCES	1,636,100	2,267,000	2,162,200

CHANGE IN FUNDING SUMMARY

	FY 2008 to FY 2009 JLBC	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Non Appropriated Funds	(104,800)	(27.4%)
Total - All Sources	(104,800)	(4.6%)

AGENCY DESCRIPTION — The State Mine Inspector is an elected constitutional officer. The office inspects the health conditions and safety of mining operations, investigates mining accidents, identifies abandoned mines, and conducts safety certification classes for mine employees.

	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2009 JLBC
PERFORMANCE MEASURES				
• % of mandated inspections completed	70.0	65.0	69.0	80.0
• Number of inspections	528.0	607.0	457.0	632.0
Comments: The decline in inspections in FY 2007 was due to loss of staff. The agency expects an increase in FY 2009 as a result of an FY 2008 General Fund increase to fill 5 FTE Positions.				
• Customer satisfaction rating for mines (Scale 1-8)	7.7	NA	NA	6.0
Comments: The agency did not submit information for this measure for FY 2007 as required by the General Appropriation Act. The agency reports that the customer satisfaction survey was not conducted in FY 2007.				

Operating Budget

The JLBC includes \$1,702,800 and 17 FTE Positions from the General Fund for the operating budget in FY 2009. FY 2009 adjustments would be as follows:

Abandoned Mines Safety Fund Deposit GF \$(50,000)

This adjustment would be a decrease of \$(50,000) from the General Fund in FY 2009 to transfer the deposit to the new Abandoned Mine Safety Fund Special Line Item.

One-Time Equipment and Training GF (115,000)

This adjustment would be a decrease of \$(115,000) from the General Fund in FY 2009 to reflect one-time equipment and training.

Telephone System Upgrade GF (17,000)

This adjustment would be a decrease of \$(17,000) from the General Fund in FY 2009 for a one-time upgrade to the agency's telephone system.

Abandoned Mines Safety Fund Deposit

The JLBC includes \$182,000 from the General Fund for the new Abandoned Mines Safety Fund Deposit Special Line Item in FY 2009. Monies in this line item were previously appropriated in the operating budget. FY 2009 adjustments would be as follows:

Abandoned Mines Safety Fund Deposit GF \$182,000

This adjustment would be an increase of \$182,000 from the General Fund in FY 2009 to reflect monies moved from the operating budget to the Abandoned Mines Safety Fund. This amount includes the continuation of a one-time \$50,000 deposit in FY 2008 and \$132,000 in new monies which are offset by the elimination of one-time expenses in the operating budget.

As a result of growing public safety concerns, the State Mine Inspector has compiled a list of priority abandoned mining sites for closure. Monies in this line item will be used to pay contractors for costs to fill, plug, or fence abandoned mines.

Deposits can be made into the Abandoned Mines Safety Fund from sources such as the legislative appropriations, intergovernmental agreements and donations. The inspector uses monies in the fund to pay contractors for actual abatement costs to fill, fence or plug shafts. These monies are used to pay administrative salaries and other costs.

Aggregate Mining Reclamation

The State Mine Inspector is required to approve a reclamation plan and financial assurance mechanism for exploration and aggregate mining operations that create a surface disturbance greater than 5 acres. Aggregate mining is the mining of sand, gravel, and crushed rock.

The State Mine Inspector is allowed to collect fees from exploration and aggregate mining operations in order to finance the costs of approving reclamation plans and financial assurance mechanisms.

Laws 2007, Chapter 262 continuously appropriates all monies collected for review of aggregate mining reclamation plans until July 1, 2008. *(Please see Other Issues for Legislative Consideration below for details.)*

* * *

FORMAT — Lump Sum by Agency with Special Line Items

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Aggregate Mined Land Reclamation

Laws 2005, Chapter 322 appropriated all monies collected between January 1, 2006 and July 1, 2006 from the Aggregate Mining Reclamation Fund to the State Mine Inspector to review aggregate mined land reclamation plans.

Since no monies were collected during this time period, Laws 2006, Chapter 319 extended the collection deadline for another year to July 1, 2007. The Environment Budget Reconciliation Bill (Laws 2007, Chapter 262) again extended the collection deadline an additional year to July 1, 2008.

Every aggregate mine must file a reclamation plan with a one-time cost of \$3,800 per plan. These plans are reviewed each year at no additional cost; however, the State Mine Inspector may charge \$3,800 for revised reclamation plans. The State Mine Inspector reports FY 2007 collections of \$654,300 and estimates FY 2008 collections of \$190,000.

To date, monies are spent primarily on the compliance review portion of the reclamation plans, which is conducted by outside consultants. The State Mine Inspector will begin conducting the administrative review of the reclamation plans later in FY 2008. It is estimated that approximately 2% of the 212 mine operations currently running will require changes to their existing reclamation plans and 10 new mining operations will open each year.

How Will the Budget Be Adopted?

- The Appropriations Committee will hold hearings in January and February on individual agency budgets.

What Does A Budget Adoption Include?

- Number of personnel.
- Funding level by year.
- Budget format – detailed lines or lump sum.
- Footnotes – sets conditions on spending or requires reports.
- Statutory changes if related to budget (BRB's – Budget Reconciliation Bills).
- Performance measures.

All of this information can be found in JLBC Baseline Book

JLBC – Member and Staff Role

What is the Joint Legislative Budget Committee?

- 8 members from each house.
- Chairmanship rotates between 2 Appropriations Committee Chairmen.
- Committee meets monthly – has 188 statutory responsibilities.
- Especially during the interim between sessions, the JLBC provides legislative oversight of state fiscal issues.
- The Joint Committee on Capital Review is comparable committee for capital issues.

What is the JLBC Staff Role?

- 25-person non-partisan staff that provides the Legislature with assistance on all state fiscal issues.
 - Includes analysts assigned to review the budgets of over 100 state agencies.
 - Includes economists responsible for revenue forecasts.
- Develops baseline estimates released at beginning of session.
- Provides briefing materials and analysis for monthly JLBC and JCCR committees.
- Responds to information requests from all legislators.

JLBC Staff Develops Cost Estimates of Proposed Legislation

- Cost estimates are known as “Fiscal Notes”.
- Members can request a note on their own bills or other members’ bills.
- Goal is a two-week turnaround.

Fiscal Note

BILL # HB 2711

TITLE: tax incentives; biodiesel; ethanol 85

SPONSOR: Boone

STATUS: As Amended by House ENV

PREPARED BY: Tim Everill

FISCAL ANALYSIS

Description

The strike everything amendment to this bill provides that after January 1, 2007, real and personal property and improvements used specifically to produce ethanol or 100% biodiesel fuels are to be classified as Class 6 property for property tax purposes rather than Class 1.

Estimated Impact

The bill would not have a fiscal impact relative to the current revenue base as there are no existing biodiesel or ethanol fuel production facilities in the state. There is a facility being constructed so the bill would result in future foregone increases in net assessed value (NAV). The foregone increases in NAV would have reduced the state’s K-12 education formula cost.

Analysis

As noted above, there are currently no biodiesel or ethanol fuel production facilities located in the state. However, construction has begun on an ethanol fuel production facility located near the city of Maricopa. The plant’s owner indicates that the plant will cost approximately \$62 million to build, and that construction will be completed by February 2007.

Based on the construction schedule, the plant would enter the property tax rolls in TY 2009, providing an increase in statewide NAV. However, assuming that under current statute, biodiesel or ethanol fuel production facilities would be classified as Class 1 (commercial) property, this bill would result in less of an increase in statewide NAV in TY 2009, as Class 1 property would be assessed at 23% of its full cash value in TY 2009, and Class 6 property is assessed at 5%. The dollar impact of the reduced assessment ratio for this property on FY 2010 property tax revenue cannot be determined. It is difficult to estimate the assessed value of commercial property based on the initial construction cost of the facility.

While this bill may result in some foregone increase in statewide NAV, it should be noted that the provisions of this bill may provide an incentive for further construction and expansion of biodiesel and ethanol production facilities in the state, resulting in further increases in NAV.

Local Government Impact

This bill would result in foregone property tax revenues for local governments in FY 2010 and beyond.

12/1/06

JLBC

JLBC

- Publishes Monthly Fiscal Highlights to update Legislature on status of revenue collections and results of agency reports.



This report has been prepared for the Arizona Legislature by the Joint Legislative Budget Committee Staff on October 31, 2008.

- September sales tax collections were down (6.7)% compared to September 2007 and were \$(46.5) million short of the monthly forecast. September marked the 9th

As we have explained in previous months, revenues would need to grow by 6.1% for the entire year to meet the budget forecast. Given the decline of (8.9)% in the first 3 months, revenues will likely fall significantly short of forecast.

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ALPHABETICAL INDEX OF STATE AGENCIES

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Exposition & State Fair Board, AZ	Dan	Parents Comm. on Drug Education & Prevention, AZ	Jon	Fiscal Note Manager	Stefan
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		Postsecondary Education, Commission for	Marge		

Glossary

GLOSSARY OF TERMS

ADM

Average daily membership, a method of counting K-12 students which adjusts for absences and withdrawals.

Appropriation

Money that is budgeted for a state agency or program.

ASRS

The Arizona State Retirement System, of which most state employees are members.

BRB

Budget reconciliation bill, it is commonly pronounced as “burb.” These series of bills include statutory changes necessary to enact the budget. They do not typically include appropriations.

Ending balance

The amount of money a budget leaves unspent.

ERE – Employee related expenditures. This represents the state’s share of the cost of employee benefits (i.e., health, life and dental).

Executive

Refers to the governor. (Usage: “The Executive budget was released.”)

Feed bill

The general appropriations bill, it sets out the budgets for state agencies and appropriates both General Fund and other funds so state government can operate. (Usage: The feed bill appropriates \$5 million to our department.”)

Fiscal Note

The JLBC Staff’s estimate of the fiscal impact of a bill. (Usage: “Does this bill have a fiscal note?”)

Fiscal Year

The state budget year, which runs from July 1 to June 30.

Footnote – Narrative statements in the General Appropriation Act that establish conditions for expenditures, reporting requirements, and legislative intent.

Formula spending

Funding levels for state programs that are mandated by voter-approved ballot measures or other state law. These formulas define eligibility for a program and may also determine the spending per person.

FTE

Full-time equivalent position. State employment is measured by FTE's. University student enrollment is also measured by FTE's.

FTSE

Pronounced “footsie,” it stands for full-time student equivalent. Community college enrollment is measured by FTSE's.

General Fund

The portion of state revenues that are not dedicated for a specific purpose. The money primarily comes from sales, individual income and corporate income taxes.

HURF

Highway User Revenue Fund, which is used primarily for state transportation projects. The money primarily comes from gas taxes and license fees.

JLBC

May reference two entities, either the Joint Legislative Budget Committee itself, or the committee staff. The JLBC is a 16 member committee responsible for oversight of all facets of the state budget, state revenues expenditures, and future fiscal needs. Non-partisan JLBC staff members assist the committee in fulfilling its duties.

JCCR

Joint Committee on Capital Review, which is a 14 member committee responsible for oversight of capital projects. The JLBC Staff also provides support to this committee.

Line-item veto

A veto that strikes only an appropriation but allows the remainder of the bill to become law.

Lump Sum

An appropriation format where an agency is given a single amount of funding, which it can spend across line items without further legislative review.

Matching funds

Money given to the state by the federal government contingent upon state funding for a program. (Usage: “The state receives three-to-one matching funds for this appropriation.”)

One-time

Refers either to revenues or expenditures, and denotes budget items that will only have an impact for one fiscal year.

Ongoing

Refers either to revenues or expenditures. Ongoing items - sometimes called permanent - are expected to impact budgets for several years, if not indefinitely.

OSPB

The Governor’s Office of Strategic Planning and Budgeting.

Prop 105

Proposition 105 was an initiative passed by voters in 1998. The Legislature may only modify voter-approved ballot measures if it furthers the purpose of the initiative and 75% of each house approves the change.

Prop 108

Proposition 108 was an initiative passed by voters in 1992. It requires a two-thirds vote in both chambers to approve any legislation that increases state revenues.

Rainy Day Fund

Technically called the Budget Stabilization Fund, it is essentially the state's savings account. Statute limits the balance of the fund to 7 percent of total General Fund revenues.

SLI

Special Line Item, which delineates funds apart from normal agency operating expenditures for monies involved with programs that provide benefits to individuals or contracted services.

Structural deficit

When the state budget has more permanent spending than permanent revenue in a given year. (Usage: "Funding that program will create a structural deficit in three years.")

Supplemental

An appropriation that adds funding to an agency's existing current fiscal year budget. (Usage: "The Legislature approved a supplemental for the Department of Corrections.")

Title 19

Refers to the title of the federal legislation that authorizes Medicaid, indigent health services.

Trigger

A spending provision in the budget that will not occur unless revenues reach a specified level.

90/10 - Pronounced "ninety ten", it is a regulatory board funded by user fees, with 90 percent of revenues retained by the board and 10 percent being transferred to the General Fund.

Source: Arizona Capitol Times and JLBC Staff